

ROGERS CITY AREA SCHOOLS

Audited Financial Statements and
Other Supplementary Financial Information

Year Ended June 30, 2008

STRALEY, ILSLEY & LAMP P.C.

ROGERS CITY AREA SCHOOLS

2007 - 2008 SCHOOL YEAR

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Vice-President	2005/2009	Lee J. Gapczynski
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Administrative Assistant	Sarah L. Brege
Business Coordinator	Kathleen M.Viegelahn
6 – 12 Principal	Jamie R. Huber

INDEPENDENT AUDITORS..... Straley, Ilsley & Lamp P.C.

LEGAL COUNSEL..... Thrun Law Firm, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Rogers City Area Schools
Rogers City, Michigan 49779

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Rogers City Area Schools**, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Rogers City Area Schools'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Rogers City Area Schools**, as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2008, on our consideration of the **Rogers City Area Schools'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Required Supplemental Information

The Management's discussion and analysis and the required supplementary information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Other Supplemental Information and Individual Fund Financial Statements

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **Rogers City Area Schools'** basic financial statements. The additional information identified in the table of contents as other supplemental information and individual fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Straley, Isley & Lamb P.C.

September 2, 2008

Rogers City Area Schools Management's Discussion and Analysis

The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Rogers City Area Schools financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary information for General Fund,
Building and Site (Sinking Fund),
2007 Capital Projects Fund

Other Supplemental Information

Combining Statements for Nonmajor Governmental Funds
Individual Fund Statements

Reporting the School District as a Whole – Government-Wide Financial Statements

The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Rogers City Area Schools Management's Discussion and Analysis

These two statements report the School District's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the Rogers City Area Schools.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, food services and inter-district transfers. Property taxes, state aid and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District may establish other funds to help it control and manage money for a particular purpose (the School Services and Sinking funds are examples) or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

The School District as Trustee—Reporting the School District's Fiduciary Responsibilities

The School District is a trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We excluded these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Rogers City Area Schools Management's Discussion and Analysis

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2008:

TABLE 1

	<u>2008</u>	<u>2007</u>
ASSETS		
Current and Other Assets	\$ 1,899,021	\$ 2,815,845
Property and Equipment	<u>4,496,904</u>	<u>3,624,440</u>
Total Assets	<u>\$ 6,395,925</u>	<u>\$ 6,440,285</u>
LIABILITIES		
Current Liabilities	\$ 587,294	\$ 579,273
Long-Term Liabilities	<u>721,420</u>	<u>879,169</u>
Total Liabilities	<u>\$ 1,308,714</u>	<u>\$ 1,458,442</u>
NET ASSETS		
Invested in property and equipment –		
Net of related debt	\$ 3,646,904	\$ 3,377,602
Unrestricted	<u>1,440,307</u>	<u>1,604,241</u>
Total Net Assets	<u>\$ 5,087,211</u>	<u>\$ 4,981,843</u>

The above analysis focuses on the net assets. The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$5,087,211 at June 30, 2008. Capital assets, net of related debt totals \$3,646,904 and compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. The remaining amount of the net assets of \$1,440,307 was unrestricted.

The \$1,440,307 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2008 as compared to fiscal 2007.

Rogers City Area Schools Management's Discussion and Analysis

TABLE 2

	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 298,605	\$ 279,173
Operating grants	277,480	284,305
General revenue:		
Property taxes	1,891,066	1,778,949
State aid	2,940,841	3,107,874
Investment Earnings	51,095	82,038
Miscellaneous	<u>10,308</u>	<u>12,172</u>
Total revenue	<u>\$ 5,469,395</u>	<u>\$ 5,544,511</u>
Functions/Program Expenses		
Instruction	\$ 3,093,405	\$ 3,274,533
Support services	1,517,305	1,545,484
Community services	12,931	8,299
Athletics	157,866	142,151
Food services	231,538	190,468
Interdistrict Transfers	-	737
Building and site acquisition	-	115,669
Interest on long-term debt	38,276	16,441
Depreciation (unallocated)	<u>312,706</u>	<u>255,678</u>
Total expenses	<u>5,364,027</u>	<u>5,549,460</u>
Increase <Decrease> in Net Assets	<u>\$ 105,368</u>	<u>\$ (4,949)</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$5,364,027. Certain activities were partially funded from those who benefited from the programs \$298,605, or by other governments and organizations that subsidized certain programs with grants and contributions \$277,480. The District paid for the remaining "public benefit" portion of our governmental activities with \$1,891,066 in taxes, \$2,940,841 in state aid and with \$61,403 of our other revenues (i.e., interest and other general revenue).

The School District experienced an increase in net assets of \$105,368. The key reason for the change in net assets included an increase in property taxes from the previous year in the amount of \$112,117. While program revenues remained relatively the same as the previous year, expenses decreased by \$185,433 over last year.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

Rogers City Area Schools Management's Discussion and Analysis

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may provide more insight into the School District's overall financial health. As the School District completed this year, the governmental funds reported a combined fund balance of \$1,475,090 which is a decrease of \$913,015 from last year. The primary reason for this decrease emanates from the 2007 Capital Projects Fund reserve being \$768,384 less than the previous year with the completion of the Elementary School Renovation project.

The General Fund fund balance available to fund general operations costs for instructional, administrative and support services increased \$39,889 to remain stable at \$961,233.

General Fund Budgetary Highlights

During the course of the year, the school district performs budget amendments as necessary to reflect changes from the original budget adopted in June of 2007. These budget amendments reflect changes in enrollment, personnel and other costs that became more defined during the fiscal year. Three budget amendments were made during the 2007-08 fiscal year with the final amendment being made in June, 2008. (A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements).

A large portion (59%) of the school district funding is in the form of state aid and federal grants. Generally, the amount of assistance from state aid, state grants and federal grants is not known until the fiscal year has been partially completed. The 2007-08 state foundation grant of \$7,204 per pupil, as compared to former years, was fully funded by the State of Michigan.

Overall, the districts revenues exceeded expenditures by \$39,889 thereby increasing the fund equity to \$961,233, which equates to 19.9 percent of the total district expenditures made in 2007-08.

Debt Administration

At the end of this year, the School District had \$879,169 in outstanding bonded debt which decreased by \$145,000 from the prior year. On January 30, 2007 the Rogers City Area Schools issued the 2007 School (Capital Projects) Building and Site Bonds for \$995,000. This bonded debt will be repaid to the bondholders over the next five fiscal years. The balance of debt of \$29,169 is a memo entry only since it represents the bonds issued by the State of Michigan to fund the Durant I Special Education settlement. The annual payments are made directly by the State of Michigan to the bondholders.

**Rogers City Area Schools
Management's Discussion and Analysis**

Capital Assets

At June 30, 2008, the School District had \$4,496,904 invested in a broad range of capital assets, including land, buildings, furniture and equipment, and vehicles. The Capital Assets experienced a net increase (including additions, deductions, and depreciation) of approximately \$872,464 from last year. This represented additions, retirements, and adjustments of \$(7,830), offset by depreciation of \$880,294.

	<u>2008</u>	<u>2007</u>
Assets not being depreciated – Land	\$ 109,763	\$ 109,763
Land Improvements	56,470	56,470
Buildings and improvements	7,734,891	6,571,060
Office and Computer equipment	458,753	1,625,414
Vehicles	<u>474,300</u>	<u>479,300</u>
Total capital assets	8,834,177	8,842,007
Less accumulated depreciation	<u>(4,337,273)</u>	<u>(5,217,567)</u>
Net capital assets	<u>\$ 4,496,904</u>	<u>\$ 3,624,440</u>

This year's additions of \$1,185,170 include building renovations, bathroom additions and electrical/heating upgrades to the Rogers City Elementary School.

Economic Factors and Next Year's Budgets and Rates

Our Board of Education and administration consider many factors when setting the School District's 2008-09 fiscal year budgets. The 2008-09 fiscal year budgets were adopted in June 2008 based on student enrollment, property valuations, state and federal revenue estimates available at that time. Under state law, the School District cannot access additional property taxes for operations without a vote by the electorate within the ISD (Rogers City Area Schools District). As a result, district funding is heavily dependent on the State's ability to fund local school district operations. Once final pupil counts and added cost calculations are made, State law requires the School District to amend the budget if actual resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent on State funding and the economic health of the State's School Aid fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue estimating conference to estimate revenues. The School Aid Fund receives a significant amount of revenue from the 2% additional sales tax voted under Proposal A. Accordingly, statewide economic activity has a direct impact on the amount of foundation grant that is funded by the State of Michigan. The foundation grant, as proposed by Governor Granholm, for 2008-09 is estimated at \$7,316 per pupil.

Rogers City Area Schools Management's Discussion and Analysis

Additionally, the impact of declining enrollment has seriously limited the districts ability to fund current programs. Schools are funded under Proposal, A which directly ties the local school state aid to the number of pupils enrolled. The Rogers City Area School District enrollment has declined by approximately two hundred students over the past nine years. This trend is expected to continue based upon the economic conditions within the district. Due to state aid limitations and enrollment declines, the district has had to utilize, over the previous four years, \$132,751 of the fund balance in order to maintain basic programs.

Three additional factors, among others, that are having a significant impact on the allocation of resources of the district include escalating health care costs, retirement fund contributions and increased energy costs. For the fiscal year ended June 30, 2008, these costs consumed 28% of the budget. We are projecting that these costs will continue to rise in the immediate future. Most importantly, we can predict that these costs will continue to absorb an increasing proportion of the available financial resources.

Under the supervision of the districts' architect and the construction manager the Elementary School Renovations were completed during the summer and fall of 2007. The end result is a more energy efficient, ADA compliant, and healthier environment for staff and students of the school. For this renovation the School District secured a school bond in the amount of \$995,000. The districts' Building & Site Fund did contribute \$393,183 of the allotted \$500,000 to the project. Included in the Elementary School renovations are the following items: Total asbestos abatement, converting the heating system from steam to hot water along with new heating controls, replacing unit ventilators, replacement of all windows, installation of emergency exit doors to all classrooms, new carpet and tile, outdoor panels surrounding the new windows, suspended ceilings, wheelchair lift, new lights, electrical wiring and fire alarm system. The total cost of the project was \$1,413,973.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Coordinator of Rogers City Area Schools, Kathleen M. Viegelahn, at 251 West Huron, Rogers City, Michigan 49779, (989)734-9100.

BASIC FINANCIAL STATEMENTS

Rogers City Area Schools

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,318,633
Inventory	3,511
Due from other governmental units	557,726
Other current assets	<u>19,151</u>
Total Current Assets	<u>1,899,021</u>
NON-CURRENT ASSETS	
Capital Assets	8,834,177
Less: Accumulated Depreciation	<u>(4,337,273)</u>
Total Non-Current Assets	<u>4,496,904</u>
TOTAL ASSETS	<u><u>\$ 6,395,925</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 61,206
Payroll deductions and withholdings	1,002
Due to other governmental units	67,043
Accrued expenditures	282,964
Other current liabilities	17,330
Current portion of long-term debt	<u>157,749</u>
Total Current Liabilities	587,294
NON-CURRENT LIABILITIES	
Non-current portion of Long-term debt	<u>721,420</u>
TOTAL LIABILITIES	<u>1,308,714</u>
NET ASSETS	
Investment in capital assets, net of related debt	3,646,904
Unrestricted	
Designated	14,058
Undesignated	<u>1,426,249</u>
TOTAL NET ASSETS	<u><u>\$ 5,087,211</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

Year ended June 30, 2008

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Assets
FUNCTION / PROGRAMS				
Instruction	\$ 3,093,405	\$ 139,020	\$ 144,841	\$ (2,809,544)
Supporting services	1,517,305	14,351	-	(1,502,954)
Community services	12,931	-	12,531	(400)
Athletics	157,866	52,752	-	(105,114)
Food services	231,538	92,482	120,108	(18,948)
Building and grounds improvements	-	-	-	-
Interest on long-term debt	38,276	-	-	(38,276)
Depreciation - unallocated	312,706	-	-	(312,706)
Total Governmental Activities	5,364,027	298,605	277,480	(4,787,942)
General Revenues:				
Property taxes, levied for general purposes				1,585,935
Property taxes, levied for sinking fund				305,131
State aid				2,940,841
Investment earnings				51,095
Miscellaneous				10,308
Total General Revenues				4,893,310
Change in Net Assets				105,368
Net Assets - Beginning of the year				4,981,843
Net Assets - End of the year				\$ 5,087,211

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Building and Site Fund (Sinking Fund)	2007 Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ 800,040	\$ 477,551	\$ -
Inventory	3,511	-	-
Due from other funds	-	-	-
Due from other governmental units	556,720	-	-
Other current assets	19,151	-	-
Total assets	<u>\$ 1,379,422</u>	<u>\$ 477,551</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 59,183	\$ -	\$ -
Payroll deductions and withholdings	-	-	-
Due to other funds	1,395	-	-
Due to other governmental units	67,043	-	-
Accrued expenditures	273,238	-	-
Other current liabilities	17,330	-	-
Total liabilities	<u>418,189</u>	<u>-</u>	<u>-</u>
Fund Equity			
Fund balances			
Unreserved			
Designated	-	13,820	-
Undesignated	961,233	463,731	-
	<u>961,233</u>	<u>477,551</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,379,422</u>	<u>\$ 477,551</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 41,042	\$ 1,318,633
-	3,511
1,395	1,395
1,006	557,726
-	19,151
<u>\$ 43,443</u>	<u>\$ 1,900,416</u>
\$ 2,023	\$ 61,206
1,002	1,002
-	1,395
-	67,043
4,112	277,350
-	17,330
<u>7,137</u>	<u>425,326</u>
238	14,058
<u>36,068</u>	<u>1,461,032</u>
<u>36,306</u>	<u>1,475,090</u>
<u>\$ 43,443</u>	<u>\$ 1,900,416</u>

Rogers City Area Schools

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES**

June 30, 2008

Total Governmental Fund Balances	\$	1,475,090
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Amounts reported for governmental activities in the statement of net
assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in
governmental funds.

Capital Assets	\$	8,834,177	
Less: Accumulated Depreciation		<u>(4,337,273)</u>	
			4,496,904

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore not reported as
liabilities in the funds. Long-term liabilities at year end consist of:

Accrued interest payable	(5,614)	
Bonds payable	<u>(879,169)</u>	
		<u>(884,783)</u>

Total Net Assets - Governmental Activities	\$	<u><u>5,087,211</u></u>
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Rogers City Area Schools

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS**

Year ended June 30, 2008

	General Fund	Building and Site Fund (Sinking Fund)	2007 Capital Projects Fund
REVENUES			
Local sources	\$ 1,648,654	\$ 323,321	\$ 6,314
State sources	2,936,967	-	-
Federal sources	154,654	-	-
Interdistrict sources	125,928	-	-
Total revenues	4,866,203	323,321	6,314
EXPENDITURES			
Instruction	3,094,008	-	-
Supporting services	1,620,214	-	-
Community services	12,931	-	-
Athletics	-	-	-
Food services	-	-	-
Building and grounds improvements	-	307,258	774,400
Debt service			
Principal	-	-	-
Interest and fees	-	-	-
Total expenditures	4,727,153	307,258	774,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	139,050	16,063	(768,086)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	18,000	298	-
Transfer to other funds	(117,161)	(184,195)	(298)
	(99,161)	(183,897)	(298)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	39,889	(167,834)	(768,384)
FUND BALANCES, beginning of the year	921,344	645,385	768,384
FUND BALANCES, end of the year	\$ 961,233	\$ 477,551	\$ -

The accompanying notes to financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 146,857	\$ 2,125,146
6,592	2,943,559
120,108	274,762
-	125,928
<u>273,557</u>	<u>5,469,395</u>
-	3,094,008
-	1,620,214
-	12,931
157,866	157,866
231,538	231,538
-	1,081,658
145,000	145,000
39,195	39,195
<u>573,599</u>	<u>6,382,410</u>
<u>(300,042)</u>	<u>(913,015)</u>
301,356	319,654
<u>(18,000)</u>	<u>(319,654)</u>
<u>283,356</u>	<u>-</u>
(16,686)	(913,015)
<u>52,992</u>	<u>2,388,105</u>
<u>\$ 36,306</u>	<u>\$ 1,475,090</u>

Rogers City Area Schools

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2008

Total net change in fund balances - governmental funds	\$	(913,015)
--	----	-----------

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

Capital Asset Additions	\$	1,185,170	
Depreciation Expense		<u>(312,706)</u>	
			872,464

The issuance of long-term debt provides current financial
resources to governmental funds, while the repayment of the
principal of long-term debt consumes the current financial
resources of governmental funds.

Debt service - principal payments	145,000
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Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore are
not reported as expenditures in governmental funds.

Change in accrued interest payable	<u>919</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>105,368</u></u>
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Rogers City Area Schools

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 62,221</u>
TOTAL ASSETS	<u><u>\$ 62,221</u></u>
LIABILITIES	
Due to student groups	<u>\$ 62,221</u>
Total liabilities	<u>62,221</u>
NET ASSETS	
Unrestricted	
Undesignated	<u>-</u>
TOTAL NET ASSETS	<u><u>\$ -</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of Rogers City Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below:

A. Description of Operations and Reporting Entity.

Description of Operations. The School District operates under a locally elected seven-member Board form of government and provides educational and supportive services as mandated by the State of Michigan and/or federal agencies. The Rogers City Area Schools were organized in 1896. This Board of Education controls the School District's instructional and support facilities and provides services to approximately 610 in grades K-12.

Reporting Entity. A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Rogers City Area Schools, this includes general operations, food services, athletics, building and site (sinking fund), 2007 capital projects, 2007 building and site bond debt service, and student and supportive service activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

B. Fund Accounting.

Fund Accounting. The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds. Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund. This fund is used to record the general operations of the School District pertaining to education and those transactions not accounted for in another fund. Included are all transactions related to the approved current operating budget.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

The expenditures are classified in accordance with the latest revised edition of the *Accounting Manual for Michigan School Districts* (Bulletin 1022, as revised) issued by the Michigan Department of Education as follows:

Instruction - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital; and other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines which assist directly in the instruction process.

Supporting Services - Supporting services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specific purposes. The only special revenue fund is the School Service Fund which maintains the school's food service and athletics activities.

Debt Service Funds. The Debt Service Funds are used to account for the accumulation of resources, and for the payment of general long-term debt principal, interest and related costs.

Capital Projects Funds. The Capital Projects Funds are used to account for all resources for the acquisition of capital facilities by the District. The Sinking Fund Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, The School District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds. Trust and Agency Fund. Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for others. The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school related purposes.

C. Basis of Presentation.

Government-wide Financial Statements. The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The financial activities of Rogers City Area Schools are all considered governmental and do not reflect any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues. Exchange and Non-exchange Transactions -Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available, means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents. Cash equivalents include certificates of deposit and other short-term, highly liquid investments that are readily convertible to known amounts of cash.

During the fiscal year ended June 30, 2008, investments were limited to the Michigan Liquid Asset Fund (MILAF). MILAF is an investment pool managed by Cadre Consulting, which allows school districts within the State of Michigan to pool their funds for investment purposes. Investments in MILAF are valued at cost which equals market value.

Inventories and Supplies. On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Other Current Assets. Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Interfund balances. On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Capital Assets. General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$2,500 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
School Buses	10 years
Fleet Vehicles	8 years

Vacation and sick leave. School District policy does not provide for payments of unused sick or vacation pay, therefore, no provision has been recorded.

Accrued Liabilities and Long-term Obligations. All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves. The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for school funded benefits.

Net Assets. Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the School District. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassification. Certain items reported in the June 30, 2008 financial statements may have been reclassified to conform with the presentation for the current year.

NOTE 2--LEGAL COMPLIANCE.

Budgets and Budgetary Accounting. Prior to adoption of the budgets, the school administration prepares and submits their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain interested party comments. Prior to July 1 the budget is adopted by the Board of Education. Budgeted amounts are as originally adopted or as amended by the Board of Education. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30. The District does not consider these amendments to be significant. Unused appropriations at June 30 are not carried forward to the following year.

The provisions of the Uniform Budgeting and Accounting Act, P.A. 621 became effective in July 1981. The Act provides major revenue categories and expenditure functions that constitute minimal levels. The Rogers City Area Schools' budget was legally enacted on a functional level. Detail at the activity level is presented in the General Fund, Athletic Fund, Food Service, Debt Retirement and Sinking Fund Statement of Revenues, Expenditures and Fund Balances for the benefit of management.

P.A. 621 provides that a school district shall not incur expenditures in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section (RSI).

NOTE 3--DEPOSITS AND INVESTMENTS.

As of June 30, 2008, the District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Liquid asset funds	\$ 509,332	0.00
Total Fair Value	<u>\$ 509,332</u>	
Portfolio weighted average maturity		<u>0.00</u>

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS. (continued)

During the fiscal year ended June 30, 2008, investments were limited to the Michigan Liquid Asset Fund (MILAF). MILAF is an investment pool managed by Cadre Consulting, which allows school districts within the State of Michigan to pool their funds for investment purposes. Investments in MILAF are valued at cost which equals market value and included in the financial statements as a cash equivalent.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District did not have any investments which have this type of risk.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the district's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, there was \$538,367 of the District's bank balance of \$904,040 that was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the district's name. The carrying amount of all deposits is \$871,502.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the district will do business.

The Board of Education authorized the following financial institutions for the investment of the District's funds for the year ended June 30, 2008: Calcite Credit Union, Independent Bank, Huron National Bank, and the Michigan Liquid Asset Fund.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 4--CAPITAL ASSETS.

Capital assets activity for the fiscal year ended June 30, 2008 was as follows:

	Balances June 30, 07	Additions	Disposals and Adjustments	Balances June 30, 08
Capital assets not being depreciated:				
Land	\$ 109,763	\$ -	\$ -	\$ 109,763
Capital assets being depreciated:				
Land improvements	56,470	-	-	56,470
Buildings and improvements	6,571,060	1,163,831	-	7,734,891
Funding and equipment	1,625,414	21,339	(1,188,000)	458,753
Vehicles	479,300	-	(5,000)	474,300
	<u>8,732,244</u>	<u>1,185,170</u>	<u>(1,193,000)</u>	<u>8,724,414</u>
Less accumulated depreciation:				
Land improvements	(56,470)	-	-	(56,470)
Buildings and improvements	(3,225,880)	(247,403)	-	(3,473,283)
Funding and equipment	(1,525,171)	(28,228)	1,188,000	(365,399)
Vehicles	(410,046)	(37,075)	5,000	(442,121)
	<u>(5,217,567)</u>	<u>(312,706)</u>	<u>1,193,000</u>	<u>(4,337,273)</u>
Net Capital Assets	<u>\$ 3,624,440</u>	<u>\$ 872,464</u>	<u>\$ -</u>	<u>\$ 4,496,904</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 5--LONG-TERM DEBT (including current portions).

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2008:

	Balances, Jun 30, 07	Additions	(Deductions)	Balances, Jun 30, 08	Due within one year
General Obligation Bonds:					
1998 School Improvement Bonds (Durant bonds) dated 11/04/1998 Amount of issue - \$49,400 Maturing through 2013 Interest rate - 4.76% Principal maturity range \$2,749- \$17,211	\$ 29,169	\$ -	\$ -	\$ 29,169	\$ 2,749

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 5--LONG-TERM DEBT (including current portions). (continued)

	Balances, Jun 30, 07	Additions	(Deductions)	Balances, Jun 30, 08	Due within one year
General Obligation Bonds: (continued)					
2007 School Improvement Bonds Dated 1/30/2007 Amount of issue - \$995,000 Maturing through 2013 Interest rate range - 3.80%-4.00% Principal maturity range \$145,000 - \$185,000	\$ 995,000	\$ -	\$ (145,000)	\$ 850,000	\$ 155,000
Total bond obligations	<u>\$ 1,024,169</u>	<u>\$ -</u>	<u>\$ (145,000)</u>	<u>\$ 879,169</u>	<u>\$ 157,749</u>

The 1998 School Improvement Bonds (Durant Bonds), including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2008 are as follows:

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2009	\$ 157,749	\$ 34,405	\$ 192,154
2010	162,880	28,229	191,109
2011	173,017	21,852	194,869
2012	197,212	20,696	217,908
2013	88,311	7,558	195,869
	<u>\$ 879,169</u>	<u>\$ 112,740</u>	<u>\$ 991,909</u>

NOTE 6--FUND BALANCE RESERVATIONS AND DESIGNATIONS.

Amounts of the various fund balances reserved or designated at June 30 are as follows:

<u>Fund</u>	<u>2008</u>	<u>2007</u>
General Fund		
Designated for school funded benefits	\$ -	\$ 37,545

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 6--FUND BALANCE RESERVATIONS AND DESIGNATIONS. (continued)

<u>Fund</u>	<u>2008</u>	<u>2007</u>
Building and Site (Sinking Fund) Designated for capital outlay	\$ 13,820	\$ 421,573
2007 Capital Projects Fund Designated for capital outlay	-	768,384
2007 Building and Site Bond Debt Service Fund Designated for debt retirement	<u>238</u>	<u>18</u>
Total reservations and designations	\$ <u>14,058</u>	\$ <u>1,227,520</u>

NOTE 7--PROPERTY TAXES.

The assessed values of real and personal property situated in the School District are established annually by local taxing authorities as of December 1, and are equalized by the State at an estimated 50% of current market value. The property tax is levied on July 1 and becomes delinquent after September 14 for City of Rogers City residents (representing approximately 40% of collections), with the remainder levied December 1 and payable by February 14. Uncollected property taxes as of March 1 are added to the County delinquent tax rolls. By agreement with Presque Isle County, the County purchases at face value the real property taxes receivable returned delinquent each March 1. The property value used for determining the amount of property tax levied is known as the "taxable value" (TV). This differs from the State Equalized Value (SEV) by increases being limited to a cost-of-living adjustment or 5 percent, whichever is less. The Taxable Value (TV) for the 2007-08 school year in the Rogers City Area Schools was established at \$90,211,745 for homestead property and \$89,248,964 for non-homestead property. The State of Michigan levies 6.0 mills on all property with the proceeds dedicated to the Michigan State Aid Fund. A local operating millage of 18.0000 mills, approved by the voters of the district, is levied against non-homestead property. The District voters also approved an additional 1.7073 mills for a building and site sinking fund.

NOTE 8--SCHOOL FUNDING.

With the passage of Senate Bill 1 in August, 1993, and the subsequent approval of Proposal "A" by Michigan voters, the so-called Bursely funding formula was replaced by a system of base foundation grants per pupil in each local school district in Michigan. The basic foundation allowance is determined annually by the Legislature of the State of Michigan. The Rogers City Area Schools received a basic foundation allowance of \$7,204 per pupil based on pupil membership counts taken in February and September of 2007 for the school year ending June 30, 2008. Future adjustments to the base grant will be based on a revenue index, with districts below the statewide \$5,000 base amount receiving greater increases. Most categorical aid, including social security (FICA) and state retirement contributions, was rolled into the base foundation amount, except for special education, special education transportation, adult education, early childhood education and vocational education funding.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 8--SCHOOL FUNDING. (continued)

As part of Proposal "A", a two-cent increase in the state sales tax was approved along with several other smaller specific tax increases, while eliminating local school operating property taxes for homestead and qualified agricultural property owners. A 6-mill statewide education tax was imposed on all property, with an additional local property tax of 18 mills required on all non-homestead and non-qualified agricultural properties. The 6-mill education tax is not subject to further voter approval, but continuing authorization from local voters for the 18-mill local tax is required. The State of Michigan revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. Further authorization was granted to local school districts to secure voter approval for up to 3 enhancement mills for up to three years, beginning with the 1994-95 school year. After the 1996-97 school year, any enhancement mills must be approved on an intermediate school district-wide basis.

NOTE 9--DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS.

Plan Description. The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple- employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7611.

Funding Policy. Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period from July 1, 2007 through September 30, 2007, and 16.72 percent from October 1, 2007 through June 30, 2008 of the covered payroll to the plan. The School District's contributions to the MPERS plan for the years ended June 30, 2008 and 2007 were \$463,770 and \$477,429, respectively. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. For the years ended June 30, 2008 and 2007, Rogers City Area School employees contributed \$91,308 and \$90,608, respectively.

Postemployment Benefits. Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 10--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS.

The composition of interfund balances at June 30, 2008 is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds		
Food Services Fund	\$ 1,395	\$ -
General Fund	<u>-</u>	<u>1,395</u>
	<u>\$ 1,395</u>	<u>\$ 1,395</u>

The interfund balance represents routine and temporary cash flow assistance to the Food Services Fund.

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 18,000	\$ 117,161
Building and Site (Sinking Fund)	298	184,195
2007 Capital Projects Fund	-	298
Athletics	116,639	18,000
Food Services	522	-
2007 Building and Site Bond Debt Service	<u>184,195</u>	<u>-</u>
	<u>\$ 319,654</u>	<u>\$ 319,654</u>

The transfers to the athletics and food services were to subsidize operations. The transfer from the building and site (sinking fund) to the 2007 building and site bond debt service was for the retirement of debt.

NOTE 11--CONTINGENCIES, CLAIMS AND LITIGATION.

There are currently no known legal actions pending against the School District that would require recording a liability. It is the policy of Rogers City Area Schools to record a liability for any contingency, claim or lawsuit when the loss is probable and an amount can be reasonably estimated.

NOTE 12--RISK MANAGEMENT.

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and excess insurance coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

Rogers City Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 12--RISK MANAGEMENT. (continued)

The School District participates in the MASB-SEG Property and Casualty Pool for general and automobile liability, motor vehicle physical damage and property damage coverage. The MASB-SEG Property/Casualty Pool, Inc. was established in May 1985, pursuant to the laws of the State of Michigan. The purpose of the pool is to provide cooperative and comprehensive risk financing and control services. Member premiums are used to purchase excess insurance coverage and pay member claims in excess of deductible amounts. The deductible amount of any one loss ranges from \$250 to \$1,000 with a maximum coverage amount of \$2,000,000 for liability claims.

The School District also participates in the SEG-Self-Insured Worker's Disability Compensation Fund for its Workers Compensation liabilities with coverage specific/statutory (unlimited) employers' liability of \$500,000.

The School District has purchased commercial insurance for medical, life insurance, long-term disability, dental and vision benefits claims for employees and their eligible dependents.

**REQUIRED SUPPLEMENTARY INFORMATION
AND ADDITIONAL INFORMATION**

Rogers City Area Schools

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended June 30, 2008

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Local sources	\$ 1,638,904	\$ 1,656,135	\$ 1,648,654	\$ (7,481)
State sources	2,819,896	2,929,896	2,936,967	7,071
Federal sources	141,100	158,495	154,654	(3,841)
Interdistrict sources	120,000	120,000	125,928	5,928
Total revenues	4,719,900	4,864,526	4,866,203	1,677
EXPENDITURES				
Instruction	3,162,942	3,155,667	3,094,008	61,659
Supporting services	1,619,900	1,670,732	1,620,214	50,518
Community services	5,481	13,190	12,931	259
Interdistrict transfers	800	-	-	-
Total expenditures	4,789,123	4,839,589	4,727,153	112,436
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(69,223)	24,937	139,050	114,113
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	18,000	18,000	18,000	-
Transfers to other funds	(122,000)	(118,500)	(117,161)	1,339
	(104,000)	(100,500)	(99,161)	1,339
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(173,223)	(75,563)	39,889	115,452
FUND BALANCES, beginning of the year	921,344	921,344	921,344	-
FUND BALANCES, end of the year	\$ 748,121	\$ 845,781	\$ 961,233	\$ 115,452

Rogers City Area Schools

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUILDING AND SITE FUND (SINKING FUND)

Year ended June 30, 2008

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 322,000	\$ 322,000	\$ 323,321	\$ 1,321
Total revenues	322,000	322,000	323,321	1,321
EXPENDITURES				
Capital outlay				
Building improvements	384,973	384,973	307,258	77,715
Grounds improvements	20,000	20,000	-	20,000
Total expenditures	404,973	404,973	307,258	97,715
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(82,973)	(82,973)	16,063	99,036
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	298	298
Transfers to other funds	(184,195)	(184,195)	(184,195)	-
	(184,195)	(184,195)	(183,897)	298
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(267,168)	(267,168)	(167,834)	99,334
FUND BALANCES , beginning of the year	645,385	645,385	645,385	-
FUND BALANCES , end of the year	\$ 378,217	\$ 378,217	\$ 477,551	\$ 99,334

Rogers City Area Schools

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 2007 CAPITAL PROJECTS FUND

Year ended June 30, 2008

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Local sources	\$ 6,300	\$ 6,300	\$ 6,314	\$ 14
Total revenues	6,300	6,300	6,314	14
EXPENDITURES				
Capital outlay				
Building improvements	774,684	774,684	774,400	284
Total expenditures	774,684	774,684	774,400	284
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(768,384)	(768,384)	(768,086)	298
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	(298)	(298)
	-	-	(298)	(298)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(768,384)	(768,384)	(768,384)	-
FUND BALANCES , beginning of the year	768,384	768,384	768,384	-
FUND BALANCES , end of the year	\$ -	\$ -	\$ -	\$ -

Rogers City Area Schools

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

June 30, 2008

	Athletics Fund	Food Services Fund	2007 Building and Site Bond Debt Service Fund
ASSETS			
Cash and cash equivalents	\$ 7,253	\$ 33,551	\$ 238
Due from other funds	-	1,395	-
Due from other governmental units	-	1,006	-
Total assets	<u>\$ 7,253</u>	<u>\$ 35,952</u>	<u>\$ 238</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ 2,023	\$ -
Payroll deductions and withholdings	-	1,002	-
Accrued expenditures	-	4,112	-
Total liabilities	<u>-</u>	<u>7,137</u>	<u>-</u>
Fund Equity			
Fund balances			
Unreserved			
Designated	-	-	238
Undesignated	7,253	28,815	-
	<u>7,253</u>	<u>28,815</u>	<u>238</u>
Total liabilities and fund balances	<u>\$ 7,253</u>	<u>\$ 35,952</u>	<u>\$ 238</u>

1998 Durant Bond Debt Service Fund	Total Other Governmental Funds
\$ -	\$ 41,042
-	1,395
-	1,006
<u>\$ -</u>	<u>\$ 43,443</u>
\$ -	\$ 2,023
-	1,002
-	4,112
<u>-</u>	<u>7,137</u>
-	238
-	36,068
<u>-</u>	<u>36,306</u>
<u>\$ -</u>	<u>\$ 43,443</u>

Rogers City Area Schools

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
OTHER GOVERNMENTAL FUNDS**

June 30, 2008

	Athletics Fund	Food Services Fund	2007 Building and Site Bond Debt Service Fund
REVENUES			
Local sources	\$ 53,345	\$ 93,292	\$ 220
State sources	-	6,592	-
Federal sources	-	120,108	-
Total revenues	53,345	219,992	220
EXPENDITURES			
Athletics	157,866	-	-
Food services	-	231,538	-
Debt service	-	-	184,195
Total expenditures	157,866	231,538	184,195
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(104,521)	(11,546)	(183,975)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	116,639	522	184,195
Transfer to other funds	(18,000)	-	-
	98,639	522	184,195
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,882)	(11,024)	220
FUND BALANCES , beginning of the year	13,135	39,839	18
FUND BALANCES , end of the year	\$ 7,253	\$ 28,815	\$ 238

1998 Durant Bond Debt Service Fund	Total Other Governmental Funds
\$ -	\$ 146,857
-	6,592
-	120,108
-	273,557
-	157,866
-	231,538
-	184,195
-	573,599
-	(300,042)
-	301,356
-	(18,000)
-	283,356
-	(16,686)
-	52,992
\$ -	\$ 36,306

INDIVIDUAL FUND STATEMENTS

Rogers City Area Schools

**GENERAL FUND
BALANCE SHEET**

	June 30	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 800,040	\$ 717,875
Due from other governmental units	556,720	584,674
Inventory	3,511	-
Other current assets	19,151	26,828
Total assets	<u>\$ 1,379,422</u>	<u>\$ 1,329,377</u>
LIABILITIES AND EQUITIES		
Accounts payable	\$ 59,183	\$ 59,364
Due to other funds	1,395	1,602
Due to other governmental units	67,043	75,873
Accrued expenditures	273,238	248,873
Other current liabilities	17,330	22,321
Total liabilities	<u>418,189</u>	<u>408,033</u>
Fund Balances		
Unreserved		
Designated	-	37,545
Undesignated	961,233	883,799
Total fund balances	<u>961,233</u>	<u>921,344</u>
Total liabilities and fund equities	<u>\$ 1,379,422</u>	<u>\$ 1,329,377</u>

Rogers City Area Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
REVENUES			
LOCAL SOURCES			
Property tax levy	\$ 1,600,935	\$ 1,585,935	\$ 1,492,284
Penalties and interest on taxes	1,900	2,245	769
Transportation fees	4,000	4,587	6,182
Earnings on investments and deposits	23,000	24,091	30,197
Drivers education fees	5,300	5,290	14,890
Facility rental fees	5,600	6,020	7,922
Private sources (contributions)	6,400	7,802	300
Miscellaneous local revenues	9,000	12,684	2,713
Total local sources	<u>1,656,135</u>	<u>1,648,654</u>	<u>1,555,257</u>
STATE SOURCES			
Unrestricted - State Aid Revenues			
Foundation grant	2,660,790	2,673,865	2,805,069
Renaissance zone	1,000	893	548
Restricted - State Aid Revenues		-	
Special education foundation	170,000	165,929	191,913
Special education	-	-	3,469
At-risk funds	88,606	88,622	93,723
Durant settlement	5,000	4,940	4,940
MI-DHS SFSC funds	-	-	8,134
COP-ESD Other	4,500	2,718	1,607
Total state sources	<u>2,929,896</u>	<u>2,936,967</u>	<u>3,109,403</u>
FEDERAL SOURCES			
Title I	104,095	103,246	107,352
Improving teacher quality	46,000	46,500	46,047
Title V	1,400	1,302	1,612
Technology literacy challenge	1,000	834	1,058
Hurricane Katrina	-	-	2,264
COP-ESD Medicaid outreach claims	4,000	1,732	2,314
COP-ESD Other	2,000	1,040	4,629
Total federal sources	<u>158,495</u>	<u>154,654</u>	<u>165,276</u>
INTERDISTRICT SOURCES			
Special education tax	<u>120,000</u>	<u>125,928</u>	<u>117,318</u>
Total interdistrict sources	<u>120,000</u>	<u>125,928</u>	<u>117,318</u>
Total revenues	<u>4,864,526</u>	<u>4,866,203</u>	<u>4,947,254</u>

Rogers City Area Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
EXPENDITURES			
INSTRUCTION			
BASIC PROGRAMS			
Elementary			
Salaries	\$ 660,195	\$ 658,202	\$ 707,657
Employee benefits	351,660	346,540	355,774
Purchased services	18,000	10,718	14,298
Supplies and materials	29,670	17,653	24,374
Capital outlay	2,000	603	1,764
	<u>1,061,525</u>	<u>1,033,716</u>	<u>1,103,867</u>
High School			
Salaries	898,480	899,423	949,662
Employee benefits	456,401	453,236	506,790
Purchased services	108,500	99,330	51,643
Supplies and materials	46,816	40,304	39,638
Capital outlay	8,000	-	17,867
Other	-	1,645	-
	<u>1,518,197</u>	<u>1,493,938</u>	<u>1,565,600</u>
Total basic programs	<u>2,579,722</u>	<u>2,527,654</u>	<u>2,669,467</u>
ADDED NEEDS			
Special Education			
Salaries	292,050	291,074	306,523
Employee benefits	201,556	197,732	211,059
Purchased services	6,700	4,286	7,927
Supplies and materials	3,000	855	2,769
	<u>503,306</u>	<u>493,947</u>	<u>528,278</u>
Compensatory Education			
Salaries	47,574	47,574	52,450
Employee benefits	24,765	24,586	23,914
Purchased services	150	-	-
Supplies and materials	150	247	424
	<u>72,639</u>	<u>72,407</u>	<u>76,788</u>
Total added needs	<u>575,945</u>	<u>566,354</u>	<u>605,066</u>
Total instruction	<u>3,155,667</u>	<u>3,094,008</u>	<u>3,274,533</u>

Rogers City Area Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
EXPENDITURES (Continued)			
SUPPORTING SERVICES			
SUPPORT SERVICES - PUPIL			
Guidance Services			
Salaries	\$ 79,900	\$ 78,531	\$ 83,143
Employee benefits	43,758	42,932	48,474
Purchased services	1,070	871	890
Supplies and materials	3,000	2,004	2,722
	<u>127,728</u>	<u>124,338</u>	<u>135,229</u>
Health Services			
Purchased services	17,800	17,812	17,200
Supplies and materials	1,500	1,255	1,555
	<u>19,300</u>	<u>19,067</u>	<u>18,755</u>
Other Pupil Support Services			
Salaries	10,300	10,206	9,068
Employee benefits	2,740	2,675	2,295
	<u>13,040</u>	<u>12,881</u>	<u>11,363</u>
Total support services - pupil	<u>160,068</u>	<u>156,286</u>	<u>165,347</u>
INSTRUCTIONAL STAFF			
Improvement of Instruction			
Purchased services	1,147	1,147	-
	<u>1,147</u>	<u>1,147</u>	<u>-</u>
Educational Media Services			
Salaries	9,435	9,203	8,868
Employee benefits	3,473	3,071	3,001
Purchased services	150	-	-
Supplies and materials	2,400	2,166	1,959
Other	800	728	737
	<u>16,258</u>	<u>15,168</u>	<u>14,565</u>
Instruction Related Technology			
Salaries	48,270	48,223	46,350
Employee benefits	28,752	26,548	24,672
Purchased services	3,600	3,648	3,758
Supplies and materials	12,300	9,980	8,009
Capital outlay	5,500	4,537	3,109
	<u>98,422</u>	<u>92,936</u>	<u>85,898</u>
Total instructional staff	<u>115,827</u>	<u>109,251</u>	<u>100,463</u>

Rogers City Area Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
EXPENDITURES (Continued)			
GENERAL ADMINISTRATION			
Board of Education			
Purchased services	\$ 48,850	\$ 38,299	\$ 53,355
Supplies and materials	14,000	12,500	4,287
Other	2,200	2,069	2,136
	<u>65,050</u>	<u>52,868</u>	<u>59,778</u>
Executive Administration			
Salaries	103,450	103,310	113,091
Employee benefits	57,164	56,841	33,050
Purchased services	2,600	738	979
Supplies and materials	350	368	348
Other	1,200	880	855
	<u>164,764</u>	<u>162,137</u>	<u>148,323</u>
Total general administration	<u>229,814</u>	<u>215,005</u>	<u>208,101</u>
SCHOOL ADMINISTRATION			
Office of the Principal			
Salaries	162,185	161,543	141,200
Employee benefits	82,722	81,900	67,970
Purchased services	2,700	1,829	2,099
Supplies and materials	3,100	2,800	2,473
Capital outlay	2,000	-	1,521
Other	1,050	558	550
	<u>253,757</u>	<u>248,630</u>	<u>215,813</u>
Total school administration	<u>253,757</u>	<u>248,630</u>	<u>215,813</u>
SUPPORT SERVICES - BUSINESS			
Fiscal Services			
Salaries	53,750	53,306	50,774
Employee benefits	31,274	30,134	27,569
Purchased services	2,150	2,149	1,718
Supplies and materials	4,600	3,261	4,254
Other	500	269	349
	<u>92,274</u>	<u>89,119</u>	<u>84,664</u>
Other Business Services			
Purchased services	3,500	3,107	2,920
	<u>3,500</u>	<u>3,107</u>	<u>2,920</u>
Total support services - business	<u>95,774</u>	<u>92,226</u>	<u>87,584</u>

Rogers City Area Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
EXPENDITURES (Continued)			
OPERATIONS AND MAINTENANCE			
Operating Buildings Services			
Salaries	\$ 149,100	\$ 148,089	\$ 151,044
Employee benefits	119,967	121,654	129,376
Purchased services	76,500	69,624	74,763
Supplies and materials	159,650	155,522	139,970
Capital outlay	1,500	932	3,171
Total operations and maintenance	506,717	495,821	498,324
PUPIL TRANSPORTATION SERVICES			
Pupil Transportation Services			
Salaries	128,650	127,872	123,688
Employee benefits	111,025	109,828	101,743
Purchased services	8,800	5,341	6,249
Supplies and materials	54,800	54,871	38,909
Total pupil transportation services	303,275	297,912	270,589
SUPPORT SERVICES - CENTRAL			
Staff/Personnel Services			
Purchased services	5,500	5,083	-
Total support services - central	5,500	5,083	-
Total Supporting Services	1,670,732	1,620,214	1,546,221
COMMUNITY SERVICES			
Non-Public School Pupils			
Salaries	7,739	7,739	4,609
Employee benefits	4,016	4,065	2,474
Purchased services	575	415	79
Supplies and materials	460	312	200
	12,790	12,531	7,362
Other Community Services			
Purchased services	250	250	512
Other	150	150	425
	400	400	937
Total Community Services	13,190	12,931	8,299
Total Expenditures	4,839,589	4,727,153	4,829,053

Rogers City Area Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 24,937</u>	<u>\$ 139,050</u>	<u>\$ 118,201</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	18,000	18,000	18,000
Transfers to other funds	(118,500)	(117,161)	(108,297)
	<u>(100,500)</u>	<u>(99,161)</u>	<u>(90,297)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(75,563)	39,889	27,904
FUND BALANCES, beginning of the year	<u>921,344</u>	<u>921,344</u>	<u>893,440</u>
FUND BALANCES, end of the year	<u><u>\$ 845,781</u></u>	<u><u>\$ 961,233</u></u>	<u><u>\$ 921,344</u></u>

Rogers City Area Schools

**ATHLETICS FUND
BALANCE SHEET**

	June 30	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 7,253	\$ 13,135
Total assets	<u>\$ 7,253</u>	<u>\$ 13,135</u>
LIABILITIES AND EQUITIES		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Fund Balances		
Unreserved		
Undesignated	<u>7,253</u>	<u>13,135</u>
Total fund balances	<u>7,253</u>	<u>13,135</u>
Total liabilities and fund equities	<u>\$ 7,253</u>	<u>\$ 13,135</u>

Rogers City Area Schools

ATHLETICS FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
REVENUES			
LOCAL SOURCES			
Earnings on investments and deposits	\$ 550	\$ 593	\$ 705
Admissions	35,700	37,794	37,562
Dues and fees	5,000	3,383	7,023
Private sources (contributions)	500	500	-
Miscellaneous local revenues	10,455	11,075	9,344
Total revenues	52,205	53,345	54,634
EXPENDITURES			
Athletic activities			
Salaries	94,356	94,870	86,174
Employee benefits	26,769	22,824	21,607
Purchased services	16,850	17,262	16,077
Other	25,100	22,910	18,293
Total expenditures	163,075	157,866	142,151
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(110,870)	(104,521)	(87,517)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	118,000	116,639	107,781
Transfers to other funds	(18,000)	(18,000)	(18,000)
	100,000	98,639	89,781
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(10,870)	(5,882)	2,264
FUND BALANCES, beginning of the year	13,135	13,135	10,871
FUND BALANCES, end of the year	\$ 2,265	\$ 7,253	\$ 13,135

Rogers City Area Schools

**FOOD SERVICES FUND
BALANCE SHEET**

	June 30	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 33,551	\$ 45,171
Due from other funds	1,395	1,602
Due from other governmental units	1,006	-
Total assets	<u>\$ 35,952</u>	<u>\$ 46,773</u>
LIABILITIES AND EQUITIES		
Accounts payable	\$ 2,023	\$ 1,944
Payroll deductions and withholdings	1,002	-
Accrued expenditures	4,112	4,990
Total liabilities	<u>7,137</u>	<u>6,934</u>
Fund Balances		
Unreserved		
Undesignated	<u>28,815</u>	<u>39,839</u>
Total fund balances	<u>28,815</u>	<u>39,839</u>
Total liabilities and fund equities	<u>\$ 35,952</u>	<u>\$ 46,773</u>

Rogers City Area Schools

FOOD SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
REVENUES			
LOCAL SOURCES			
Earnings on investments and deposits	\$ 700	\$ 810	\$ 535
Food sales	86,000	91,539	86,685
Miscellaneous local revenues	800	943	170
Total local sources	87,500	93,292	87,390
STATE SOURCES			
Restricted - State Aid Revenues			
Food services	8,000	6,592	8,212
Total state sources	8,000	6,592	8,212
FEDERAL SOURCES			
National School lunch / breakfast	99,000	107,489	97,270
USDA donated commodities	11,000	11,642	11,934
USDA bonus commodities	2,000	977	83
Total federal sources	112,000	120,108	109,287
Total revenues	207,500	219,992	204,889
EXPENDITURES			
Food Services			
Salaries	49,900	53,102	47,799
Employee benefits	37,100	36,486	33,632
Purchased services	1,700	2,203	536
Supplies and materials	125,500	122,376	97,518
Other	2,000	1,997	1,863
Capital outlay	16,300	15,374	9,120
Total expenditures	232,500	231,538	190,468
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,000)	(11,546)	14,421
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	500	522	516
	500	522	516
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(24,500)	(11,024)	14,937
FUND BALANCES , beginning of the year	39,839	39,839	24,902
FUND BALANCES , end of the year	\$ 15,339	\$ 28,815	\$ 39,839

Rogers City Area Schools

**BUILDING AND SITE FUND (SINKING FUND)
BALANCE SHEET**

	June 30	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 477,551	\$ 645,385
Total assets	<u>\$ 477,551</u>	<u>\$ 645,385</u>
LIABILITIES AND EQUITIES		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Fund balances		
Unreserved		
Designated	13,820	421,573
Undesignated	<u>463,731</u>	<u>223,812</u>
Total fund balances	<u>477,551</u>	<u>645,385</u>
Total liabilities and fund equities	<u>\$ 477,551</u>	<u>\$ 645,385</u>

Rogers City Area Schools

**BUILDING AND SITE FUND (SINKING FUND)
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
REVENUES			
Local Sources			
Property tax levy	\$ 306,000	\$ 305,131	\$ 285,896
Interest on investments	15,000	16,822	30,361
Other	1,000	1,368	1,237
Total revenues	322,000	323,321	317,494
EXPENDITURES			
Capital outlay			
Building improvements	384,973	307,258	299,207
Grounds improvements	20,000	-	3,000
Total expenditures	404,973	307,258	302,207
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(82,973)	16,063	15,287
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	298	-
Transfers to other funds	(184,195)	(184,195)	(9,908)
Total other financing sources (uses)	(184,195)	(183,897)	(9,908)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(267,168)	(167,834)	5,379
FUND BALANCES , beginning of the year	645,385	645,385	640,006
FUND BALANCES , end of the year	\$ 378,217	\$ 477,551	\$ 645,385

Rogers City Area Schools

**2007 CAPITAL PROJECTS FUND
BALANCE SHEET**

	June 30	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ -	\$ 782,759
Total assets	<u>\$ -</u>	<u>\$ 782,759</u>
LIABILITIES AND EQUITIES		
Accounts payable	\$ -	\$ 14,375
Total liabilities	<u>-</u>	<u>14,375</u>
Fund balances		
Unreserved		
Designated	-	768,384
Undesignated	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>768,384</u>
Total liabilities and fund equities	<u>\$ -</u>	<u>\$ 782,759</u>

Rogers City Area Schools

**2007 CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
REVENUES			
Local Sources			
Interest on investments	\$ 6,300	\$ 6,314	\$ 20,222
Total revenues	6,300	6,314	20,222
EXPENDITURES			
Capital outlay			
Building improvements	774,684	774,400	246,838
Total expenditures	774,684	774,400	246,838
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(768,384)	(768,086)	(226,616)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	995,000
Transfers from other funds	-	-	-
Transfers to other funds	-	(298)	-
Total other financing sources (uses)	-	(298)	995,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(768,384)	(768,384)	768,384
FUND BALANCES, beginning of the year	768,384	768,384	-
FUND BALANCES, end of the year	\$ -	\$ -	\$ 768,384

Rogers City Area Schools

**2007 BUILDING AND SITE BOND DEBT SERVICE FUND
BALANCE SHEET**

	June 30	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 238	\$ 18
Total assets	<u>\$ 238</u>	<u>\$ 18</u>
LIABILITIES AND EQUITIES		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Fund balances		
Unreserved		
Designated	238	18
Undesignated	<u>-</u>	<u>-</u>
Total fund balances	<u>238</u>	<u>18</u>
Total liabilities and fund equities	<u>\$ 238</u>	<u>\$ 18</u>

Rogers City Area Schools

**2007 BUILDING AND SITE BOND DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2008 Final Budget	2008 Actual	2007 Actual
REVENUES			
Interest on investments	\$ 100	\$ 220	\$ 18
Total revenues	100	220	18
EXPENDITURES			
Debt Service			
Principal	145,000	145,000	-
Interest and fees	39,195	39,195	9,908
Total expenditures	184,195	184,195	9,908
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(184,095)	(183,975)	(9,890)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	184,195	184,195	9,908
Transfers to other funds	-	-	-
Total other financing sources (uses)	184,195	184,195	9,908
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	100	220	18
FUND BALANCES , beginning of the year	18	18	-
FUND BALANCES , end of the year	\$ 118	\$ 238	\$ 18

Rogers City Area Schools

**AGENCY FUND - STUDENT ACTIVITIES
BALANCE SHEET**

	June 30	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 62,221	\$ 71,097
Total assets	<u>\$ 62,221</u>	<u>\$ 71,097</u>
LIABILITIES AND EQUITIES		
Due to student groups	\$ 62,221	\$ 71,097
Total liabilities	<u>62,221</u>	<u>71,097</u>
Fund balances		
Unreserved		
Designated	-	-
Undesignated	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>
Total liabilities and fund equities	<u>\$ 62,221</u>	<u>\$ 71,097</u>

Rogers City Area Schools

**AGENCY FUND - STUDENT ACTIVITIES
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2008

	June 30, 2007	Revenues & Transfers	Expenses & Transfers	June 30, 2008
Allan Dagner Scholarship Fund	\$ 360	\$ 250	\$ 550	\$ 60
Athletics	29	325	292	62
Band	533	3,261	3,670	124
Band Boosters	11	4,226	4,171	66
Band Transportation	246	316	16	546
Band Uniforms	15,890	16,226	31,254	862
Basketball	571	2,203	2,691	83
Bowling	1,288	1,354	828	1,814
Cedar Point Trip	-	11,949	11,949	-
Cheerleaders	1,131	923	990	1,064
Class of 2007	277	-	277	-
Class of 2008	3,815	833	4,598	50
Class of 2009	3,251	8,203	5,372	6,082
Class of 2010	3,511	9,860	4,506	8,865
Class of 2011	-	1,430	709	721
Class of 2012	-	375	-	375
Close Up Washington	572	22,735	22,465	842
Counseling	18	1,023	1,034	7
Cross Country	512	2,633	1,586	1,559
Cross Country 5K Race	240	1,000	1,240	-
Dance & Drill Team	162	-	-	162
Drama Club	632	1,733	1,458	907
Elementary Special Education	2	-	-	2
Elementary 5th Grade	201	13,923	13,891	233
Elementary Memorial Fund	20	-	-	20
Elementary Office	1,234	2,054	2,496	792
Elementary P.T.O.	4,176	18,840	19,241	3,775
Focus on Fitness	-	2,065	1,375	690
Football	1,143	10,162	6,285	5,020
Girls Basketball	368	2,238	1,914	692
Girls Softball	1,294	7,489	5,551	3,232
Golf	959	718	725	952
Grambau Memorial Scholarship	300	-	300	-
Greene Scholarship	33	-	-	33
Haan Crafts	20	-	-	20
Huron Wrestling Club	-	2,616	2,616	-
Industrial Tech.	90	2,066	2,025	131
Instrument Usage Fees	191	938	1,129	-
Interest Income	471	1,825	2,172	124
Jazz Band	116	-	-	116

Rogers City Area Schools

**AGENCY FUND - STUDENT ACTIVITIES
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2008

	June 30, 2007	Revenues & Transfers	Expenses & Transfers	June 30, 2008
Jr. High Athletics Fund	\$ 782	\$ 3,469	\$ 2,992	\$ 1,259
Jr. High Special Ed.	210	-	159	51
Jr. High Student Council	4,436	11,858	13,842	2,452
Jr. High Vocal Music	24	-	-	24
Key Club	547	4,293	4,256	584
Kitchen Pop Fund	-	90	-	90
Library	404	1,290	1,357	337
Math Tech Fund	-	112	72	40
MSU Trip	-	1,210	1,210	-
National Honor Society	374	1,720	1,654	440
Natural Helpers	5,288	2,192	2,828	4,652
Office	2,094	862	2,140	816
Petty Cash	120	-	-	120
Pop Fund	754	1,293	1,793	254
R. Gertz Scholarship Fund	-	1,000	1,000	-
RCHS Baseball	2,468	5,105	4,260	3,313
RCHS Special Education	71	100	34	137
Salmon in the Classroom	295	18	-	313
Ski Club	689	8,465	7,937	1,217
Softball Raffle	-	9,120	9,120	-
Spanish Club	881	-	21	860
Special Olympics	529	-	403	126
Student Council	184	391	555	20
Track	678	1,606	1,681	603
Voices in Harmony	-	164	-	164
Volleyball	1,147	4,194	4,228	1,113
Weight Room	644	318	-	962
Wrestling	3,286	17,952	20,890	348
Yearbook	1,525	12,719	12,401	1,843
Totals	<u>\$ 71,097</u>	<u>\$ 245,333</u>	<u>\$ 254,209</u>	<u>\$ 62,221</u>

Rogers City Area Schools

SCHEDULE OF INDEBTEDNESS

June 30, 2008

	<u>Interest</u>	<u>FY of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
1998 School Improvement Bonds	4.76%	2009	\$ 2,749	\$ 720
Date of issue: November 24, 1998	4.76%	2010	2,880	589
Amount of issue: \$49,400	4.76%	2011	3,017	452
	4.76%	2012	17,212	6,096
	4.76%	2013	3,311	158
			<u>29,169</u>	<u>8,015</u>
2007 School Building and Site Bonds	3.90%	2009	155,000	33,685
Date of issue: January 30, 2007	3.90%	2010	160,000	27,640
Amount of issue: \$995,000	4.00%	2011	170,000	21,400
	4.00%	2012	180,000	14,600
	4.00%	2013	185,000	7,400
			<u>850,000</u>	<u>104,725</u>
			<u>\$ 879,169</u>	<u>\$ 112,740</u>



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CARL E. REIZ, C.P.A.
WARREN W. YOUNG, C.P.A.

To the Board of Education
Rogers City Area Schools
Rogers City, Michigan

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Rogers City Area Schools**, as of and for the year ended June 30, 2008, which collectively comprise the **Rogers City Area Schools'** basic financial statements and have issued our report thereon dated September 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Rogers City Area Schools'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Rogers City Area Schools'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Rogers City Area Schools'** internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Rogers City Area Schools'** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Rogers City Area Schools'** financial statements that is more than inconsequential will not be prevented or detected by the **Rogers City Area Schools'** internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Rogers City Area Schools'** internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Rogers City Area Schools'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the **Rogers City Area Schools'** in a separate letter dated September 2, 2008.

This report is intended solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Straley, Isley & Lamp P.C.

September 2, 2008

**REQUIRED SUPPLEMENTARY INFORMATION
2007 SCHOOL BUILDING AND SITE BOND ISSUE
2007 CAPITAL PROJECTS FUND**



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To the Board of Education
Rogers City Area Schools
Rogers City, Michigan

INDEPENDENT AUDITORS' REPORT ON STATEMENT OF REVENUES AND EXPENDITURES. We have audited the accompanying balance sheet, statement of revenues and expenditures and changes in fund balance of the 2007 School Building and Site Bond Issue 2007 Capital Project Fund of the Rogers City Area Schools, Rogers City, Michigan, for the seven month and one day period ended August 31, 2007. These financial statements are the responsibility of the Rogers City Area Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements were prepared for the purpose of complying with the provisions of the Michigan Revised School Code, Public Act 451 of 1976, as amended, (MCL 380.1351a) as described in Note 1 to the supplemental financial information. The presentation is not intended to be a presentation of the Rogers City Area School's total revenues and expenditures.

In our opinion, the statements referred to above presents fairly, in all material respects, the financial position of the 2007 School Building and Site Bond Issue 2007 Capital Project Fund of the Rogers City Area Schools, Rogers City, Michigan, at August 31, 2007 and the results of its operations for the seven month and one day period then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2008 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Straley, Ilsley & Lamp P.C.

September 2, 2008



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To the Board of Education
Rogers City Area Schools
Rogers City, Michigan

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS AND BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS. We have audited balance sheet, statement of revenues and expenditures and changes in fund balance of the 2007 School Building and Site Bond Issue 2007 Capital Project Fund of the Rogers City Area Schools, as of and for the seven month and one day period ended August 31, 2007 and have issued our report thereon dated September 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rogers City Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rogers City Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rogers City Area Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Rogers City Area Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Rogers City Area Schools' financial statements that is more than inconsequential will not be prevented or detected by the Rogers City Area Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Rogers City Area Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rogers City Area Schools' financial statements for the 2007 School Building and Site Bond Issue 2007 Capital Project Fund are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Straley, Isley & Lamp P.C.

September 2, 2008

Rogers City Area Schools

**2007 SCHOOL BUILDING AND SITE BOND ISSUE
2007 CAPITAL PROJECTS FUND**

BALANCE SHEET

August 31, 2007

ASSETS

Cash and cash equivalents	\$ 7,764
Total assets	<u>\$ 7,764</u>

LIABILITIES AND EQUITIES

Accounts payable	\$ 7,466
Due to other funds	<u>298</u>
Total liabilities	<u>7,764</u>
Fund balances	
Unreserved	
Designated	-
Undesignated	<u>-</u>
Total fund balances	<u>-</u>
Total liabilities and fund equities	<u>\$ 7,764</u>

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

**2007 SCHOOL BUILDING AND SITE BOND ISSUE
2007 CAPITAL PROJECTS FUND**

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

For the Seven Month and One Day Period Ended August 31, 2007

REVENUES

Local Sources

Interest on investments	\$ 26,536
Total revenues	<u>26,536</u>

EXPENDITURES

Capital outlay	
Architectural and engineering services	118,667
Building improvements	888,940
Bond legal fees	12,088
Bond advertising and miscellaneous	<u>1,543</u>
Total expenditures	<u>1,021,238</u>

**EXCESS OF REVENUES OVER (UNDER)
EXPENDITURES**

(994,702)

OTHER FINANCING SOURCES (USES)

Bond proceeds	995,000
Transfers from other funds	-
Transfers to other funds	<u>(298)</u>
Total other financing sources (uses)	994,702

**EXCESS OF REVENUES AND OTHER
SOURCES OVER (UNDER)
EXPENDITURES AND OTHER USES**

-

FUND BALANCES, beginning of the year

-

FUND BALANCES, end of the year

\$ -

The accompanying notes to financial statements are an integral part of this statement.

Rogers City Area Schools

NOTES TO 2007 CAPITAL PROJECT FUND SUPPLEMENTAL INFORMATION

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES.

Reporting Entity.

The Rogers City Area Schools, Rogers City, Michigan, is comprised of K-12 operations. The School District's Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes only the balance sheet and statement of revenues, expenditures and changes in fund balance of the 2007 School Building and Site Bond Issue 2007 Capital Project Fund of the District. Its activities are considered to be part of the School District and controlled by the Board of Education.

Bond Description.

The School District issued the 2007 General Obligation School Building and Site Bond Issue on January 30, 2007, in the amount of \$995,000. The principal and interest on this bond issue is financed primarily from property taxes from the Building and Site Fund (Sinking Fund). The bonds, dated January 30, 2007, which bear interest at 3.8 percent to 4.3 percent, are due serially through 2013.

The bond proceeds and interest income earned on those proceeds were used for the purpose of renovating the Rogers City Area Schools Elementary School Building, making it ADA compliant and more energy efficient.

Basis of Presentation.

The accompanying statements have been prepared based on the modified accrual basis of accounting, in accordance with generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The Michigan Revised School Code, Public Act 451 of 1976, as amended, (MCL 380.1351a (1) and (2)) requires that for bonds issued under that section after May 1, 1994, an independent audit be performed on certain operating results and compliance tests performed related to specified bond activities.

The accompanying statements reflects the activity of the 2007 General Obligation School Building and Site Bond Issue, recorded in the District's 2007 School Building and Site Bond Issue Capital Project Fund, from the date of the bond issue, January 30, 2007, through project completion, August 31, 2007, as indicated on the Certificate of Substantial Completion (AIA Form G704). The project, for which the bonds were issued, was considered complete, with all funds expended, as of August 31, 2007.



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RETIRED
GORDON A. NETHERCLY, C.P.A.
CARL E. REITZ, C.P.A.
WARREN W. YOUNG, C.P.A.

To the Board of Education
Rogers City Area Schools
Rogers City, Michigan

We have completed our engagement of the audit of the financial statements of the Rogers City Area Schools (the "District") for the year ended June 30, 2008. In addition to our audit report, we are providing the following:

Letter of increased audit communications as prescribed by Statement on Auditing Standards (SAS) 112

Letter of required audit communication, as prescribed by SAS 114

Other recommendations and informational comments which impact the District

	<u>Page</u>
Internal Control Communications (SAS 112 Letter)	2
Audit Communications (SAS 114 Letter)	4

We commend the School for its excellent recordkeeping system and appreciate the opportunity to serve the Rogers City Area Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Straley, Ilsley & Lamp P.C.

September 2, 2008



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INTERNAL CONTROL COMMUNICATIONS

To the Board of Education
Rogers City Area Schools
Rogers City, Michigan

New auditing rules have resulted in changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new standard defines as a "significant deficiency." The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the county board members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rogers City Area Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Rogers City Area School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We wish to thank the staff of the Rogers City Area Schools for their assistance during the audit.

This report is intended solely for the information and use of the management, the Board of Education, and others within the organization, and the State of Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve the Rogers City Area Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

Straley, Tisley & Lamp P.C.

September 2, 2008



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AUDIT COMMUNICATIONS

To the Board of Education
Rogers City Area Schools
Rogers City, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rogers City Area Schools for the year ended June 30, 2008, and have issued our report thereon dated September 2, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards.

As stated in our engagement letter dated July 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Rogers City Area Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Rogers City Area School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 21, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by are described in Note 1 to the financial statements. No new accounting

policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 2, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Eleven new auditing standards have been issued that require significant changes in how audits are performed. Similar to the Sarbanes-Oxley rules that impacted publicly held corporations, these rules are intended to help audited entities strengthen their internal controls. In brief, these new rules require all auditors to:

- Obtain a deeper understanding of the design and operation of internal control
- Assess the effectiveness of internal control
- Obtain corroborating evidence that the understanding is correct and the assessment is appropriate (i.e., inspection of documents, observation of procedures, or inquiry)
- Consider "what could go wrong" in the financial statement process (evaluate the risks of financial statement errors)
- Link the results to specific further audit procedures
- Communicate a summary of the results of the auditor's work to those charged with governance (the Board of Education)

As you can see, auditors will spend significantly more time working with all aspects of your internal control. These new rules are not limited to the public sector – they will apply to any organization that obtains an audit (nonprofit organization, private company, etc.). These new rules have impacted audited organizations in two ways: your finance staff has incurred more time and effort in preparation for the audit, and the audit process has required additional time.

Other Matters

1. Recent Pronouncements. The Governmental Accounting Standards Board and Michigan Department of Education, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way the Rogers City Area Schools maintains its financial records:
 - A. **GASB Statement No. 43 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.** This statement establishes uniform reporting standards for other postemployment benefit plans. The financial statements focus on reporting current financial information about plan net assets and required note disclosures include a brief plan description, a summary of significant accounting policies, and information about contributions and legally required reserves. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2009.
 - B. **GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.** This statement will require governmental units to record the cost of benefits (such as health insurance, life insurance, etc) in the periods when the related services are received by the employer if these benefits are not provided for through a pension plan. This will require the District to accrue and report an actuarially computed liability for any future postemployment benefit other than pensions. The requirements

of this statement are effective for financial statements of the District for the year ended June 30, 2010.

- C. GASB Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations.** This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This will require the School District to capitalize pollution remediation outlays in the future. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2009.
- D. GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets.** This statement establishes consistent standards as to whether intangible assets including easements, timber rights, and computer software should be considered capital assets for financial reporting purposes. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2010.
- E. GASB Statement No. 52 Land and Other Real Estate Held as Investments by Endowments.** This statement more appropriately reports the resources available in endowments and more closely aligns financial reporting with the objectives of the endowments. Reporting land and other real estate held as investments at fair value enhances user's ability to meaningfully evaluate an entity's investment decisions and performance. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2009.

2. Issues Likely to Impact Schools.

- A. Government Deposit Insurance.** Under Michigan Law, governmental units, including school districts, are directed and limited where they may invest or deposit public funds. Depository institutions such as banks, credit unions, or savings and loans may offer FDIC insurance coverage.

The insurance coverage of a school's accounts depends upon the type of deposit. All time and savings deposits (which include NOW accounts, CD's, money market deposit accounts, and other interest-bearing accounts) held by a school in a particular insured depository institution within the State are added together and insured up to \$100,000. Separately, all demand deposits (checking accounts) held in the same insured depository institution within the same State are added together and insured up to \$100,000. Special rules apply to funds that are required to be set aside for debt owed to holders of notes or bonds – additional insured coverage may be available for the beneficial interest of each bondholder.

Recent market events have indicated that certain financial institutions, including some within the Midwest region, may be experiencing financial distress. In the event of a regulatory takeover of a financial institution, uninsured or underinsured depositors may not receive all of their funds back after the regulatory takeover.

We encourage the school to perform the necessary due diligence to assure itself that it has the protection and coverage it desires to protect its public funds.

- B. IRS 403(b) Final Regulations (Tax Sheltered Annuities).** For the first time in 40 years, the IRS has published comprehensive 403(b) guidance in the form of final regulations. The regulations require much more district involvement than was necessary in the past. The regulations also require a written plan and generally place the burden on the district to make sure that the plan is administered in accordance with the terms of what will become, for many districts, their first 403(b) plan document.

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

We wish to thank the staff of Rogers City Area Schools for their assistance during the audit.

This report is intended solely for the information and use of Rogers City Area Schools Board of Education, Michigan Department of Education, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We commend the School for its excellent recordkeeping system and appreciate the opportunity to serve the Rogers City Area Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

Straley, Irlsey & Lamp P.C.

September 2, 2008